

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022 / 2023 (TERM ID 2210)

DEC5624 – INTRODUCTORY MACROECONOMICS

(All sections / Groups)

11 FEBRUARY 2023

9.00 a.m – 11.00 a.m

(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 10 pages with 2 sections.
2. Attempt **ALL** questions in Section A and Section B. The distribution of the marks for each question is given.
3. Please write all your answers for Section A on the OMR form provided and all answers for Section B in the Answer Booklet provided.

SECTION A: MULTIPLE CHOICE QUESTIONS

Each question consists of 1 mark. Answers for this section should be shaded on the OMR sheet provided.

1. Bantuan Rakyat 1Malaysia (BR1M) is an example of _____.
- A. macroeconomics
 - B. Gross Domestic Product (GDP)
 - C. transfer payment
 - D. aggregate output
2. A(n) _____ in the overall price level is known as _____.
- A. increase; net income
 - B. increase; recession
 - C. decrease; deflation
 - D. decrease; inflation

Referred to Table 1 to answer Question 3 and 4:

Item	Quantity	Price	
		Year 2016	Year 2017
Orange	10 bags	RM11 per bag	RM9 per bag
Apple	15 bags	RM6 per bag	RM10 per bag

Table 1

3. Refer to Table 1, the total cost of basket of goods in 2016 was _____.
- A. RM200
 - B. RM210
 - C. RM240
 - D. RM245
4. Refer to Table 1, if 2016 is the base year, then the CPI for 2017 was _____.
- A. 83.3
 - B. 100
 - C. 120
 - D. 200

Continued...

5. If the consumption function is $C = 120 + 0.3Y$, the MPS will be _____.

- A. 0.3
- B. 0.4
- C. 0.7
- D. 0.8

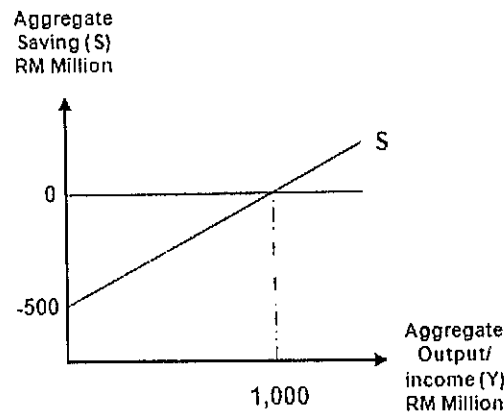


Figure 1

6. Refer to Figure 1, the marginal propensity to save (MPS) is _____ and marginal propensity to consume (MPC) is _____.

- A. 0.30; 0.70
- B. 0.40; 0.60
- C. 0.50; 0.50
- D. 0.60; 0.40

7. Refer to Figure 1, the savings function is _____.

- A. $S = -300 + 0.30Y$
- B. $S = 300 + 0.30Y$
- C. $S = 500 + 0.50Y$
- D. $S = -500 + 0.50Y$

8. Given multiplier is 10, the MPC is _____.

- A. 0.10
- B. 0.80
- C. 0.90
- D. 0.25

Continued...

9. If the government spending multiplier is 4 and government spending decreases by RM150 million, output will _____ by _____.
- A. increase; RM150 million
B. decrease; RM600 million
C. increase; RM600 million
D. decrease; RM300 million
10. Fiscal policy is also known as _____.
- A. monetary policy
B. budget policy
C. controlling policy
D. inflation policy

Referred to Table 2 to answer Question 11 to 13:

RM million				
Aggregate Output (Income)	Aggregate Consumption	Taxes	Planned Investment	Government Expenditures
800	600	150	300	200
1,200	800	150	300	200
1,600	1,000	150	300	200
2,000	1,500	150	300	200
2,400	1,800	150	300	200

Table 2

11. Refer to Table 2, at the aggregate output level of RM1,600 million, the level of aggregate expenditures is _____.
- A. RM1,000 million
B. RM1,200 million
C. RM1,500 million
D. RM1,650 million
12. Refer to Table 2, at the aggregate output level of RM2,400 million, there is a _____.
- A. unplanned inventory increases by RM100 million
B. unplanned inventory decreases by RM100 million
C. unplanned inventory increases by RM400 million
D. no changes in unplanned inventory

Continued...

13. Refer to Table 2, the equilibrium level of output is _____.
- A. RM1,200 million
 - B. RM1,600 million
 - C. RM2,000 million
 - D. RM2,400 million
14. Suppose the required reserve ratio is 10%. A RM25,000 cash deposit will, at most, allow an expansion of the money supply to _____.
- A. RM27,500
 - B. RM75,000
 - C. RM200,000
 - D. RM250,000
15. If the money multiplier is 4, the required reserve ratio is _____.
- A. 2%
 - B. 4%
 - C. 10%
 - D. 25%
16. _____ is **NOT** money because it serves as a temporary medium of exchange.
- A. Stock
 - B. Credit card
 - C. Fixed deposit
 - D. Coin
17. Which of the followings is **NOT** one of the local commercial banks in Malaysia?
- A. Public Bank
 - B. Maybank
 - C. CIMB Bank
 - D. OCBC Bank
18. _____ happens when people hold banknotes rather than deposit it with a commercial bank.
- A. Currency depreciation
 - B. Barter
 - C. Currency drain
 - D. Economy growth

Continued...

19. _____ is an institution designed to oversee the banking system and regulate the quantity of money in the economy.
- A. Central bank
 - B. Commercial bank
 - C. Ministry of Finance
 - D. Ministry of Treasury
20. Suppose yesterday's newspaper headline was "Ringgit seen appreciating by next month". Based on the statement, which of the following best describe the changes of demand of Ringgit Malaysia (MYR) now?
- A. The demand of MYR will remain unchanged.
 - B. The demand of MYR will be decreased.
 - C. The demand of MYR will be increased.
 - D. The demand of MYR is depending on the supply of MYR.

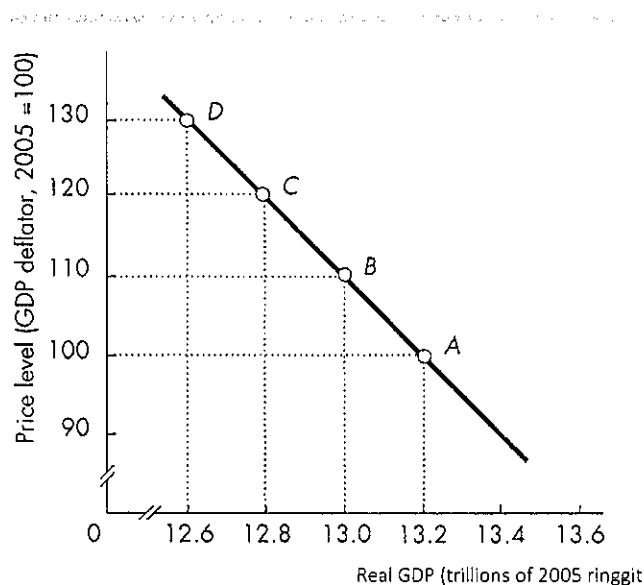


Figure 2

21. In Figure 2, the economy is initially at point B. then the price level falls by 10. The wealth effect will help _____.
- A. move the economy to point A
 - B. move the economy to point C
 - C. move the economy to point D
 - D. move the economy to point B

Continued...

22. Potential GDP changes because of the following reasons:

- I. an increase in the full-employment
- II. an increase in the quantity of capital (physical or human)
- III. an advance in technology

- A. I only.
- B. I and II.
- C. I and III.
- D. I, II, and III.

23. A cut in interest rate would be _____.

- A. decrease the aggregate demand
- B. increase the aggregate demand
- C. no changes in the aggregate demand
- D. will decrease and somehow increase the aggregate demand

Total population (millions)	Currently employed (millions)	Not working and looking for work (millions)	Want to work but no longer looking for work (millions)
80	40	2	4

Table 3

24. In Table 3, the size of the labor force is _____.

- A. 42 million
- B. 46 million
- C. 48 million
- D. 60 million

25. From Table 3, the official unemployment rate is _____.

- A. 50 percent
- B. 15 percent
- C. 10 percent
- D. 5 percent

26. The aggregate production function describes the relationship between _____.

- A. real GDP and the price level
- B. the rate of growth of real GDP and inflation
- C. real GDP and the unemployment rate
- D. real GDP and the quantity of labor employed

Continued...

27. Suppose there is a rise in the price level, but no change in the money wage rate. As a result, the quantity of labor demanded _____.
- A. decreases
 - B. does not change because there is no change in the real wage rate
 - C. increases
 - D. decreases only if the money wage rate also decreases
28. If one set of chopsticks made in China are imported into Malaysia, the Chinese manufacturer is paid with _____.
- A. dollars
 - B. international monetary credits
 - C. euros, or any other third currency
 - D. yuan, the Chinese currency
29. When the exchange rate falls, in the foreign exchange market the _____.
- A. quantity demanded of the currency increases
 - B. demand for the currency increases
 - C. quantity demanded of the currency decreases
 - D. demand for the currency decreases
30. Which of the following occurrences would **NOT** shift the demand curve for Malaysia ringgit (MYR) in the foreign exchange market?
- A. an increase in the expected future MYR exchange rate.
 - B. an increase in Malaysia's interest rates.
 - C. an increase in the Malaysia exchange rate.
 - D. an increase in foreign interest rates.

[TOTAL 30 MARKS]

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SECTION B: STRUCTURED QUESTIONS

Answers for this section should be written in the answer booklet provided.

QUESTION 1**“Perodua aims to sell 80,000 new Myvis in 2018”**

“KOTA BARU: Perusahaan Otomobil Kedua Sdn Bhd (Perodua) has targeted sales of between 75,000 and 80,000 units of the all-new Myvi in 2018, said Perodua Auto Corporation Sdn Bhd deputy president, Datuk Zainal Abidin Ahmad. He said Perodua had received bookings for 8,000 units for all five variants of the new Myvi up to Nov 9, 2017. Some 80 per cent of the bookings were for the 1.5 cc model, he said. "Up to year-end, we are targeting sales of between 15,000 and 16,000 (units of Myvi) nationwide," he said to reporters at the car showcase in conjunction with Ministry of International Trade and Industry (MITI) Day 2017 here today....”

Source: 19th November 2017, News Straits Times, “Perodua aims to sell 80,000 Myvis in 2018”

- a) Based on the article,
 - i. State if the above activity should be “included” or “excluded” from the calculation of Malaysia’s GDP. Explain. (3 marks)
 - ii. If the targeted sales have achieved, which of the GDP’s components would be affected? Why? (3 marks)
 - iii. If the targeted 80,000 new Myvi were successfully manufactured in December 2017 and sold in 2018, in which year of Malaysia’s GDP should these Myvi be counted? (2 marks)
- b) Given national income RM898 million, personal income RM240 million and personal taxes RM38 million, compute disposable income. (2 marks)
- c) List **FOUR (4)** main components in an economy. (4 marks)
- d) Explain **THREE (3)** market arena. (6 marks)

[TOTAL 20 MARKS]

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QUESTION 2

"A country can only be said to achieve full employment when it has zero unemployment rate."

- a) Do you agree with the above statement? Justify your answer. (5 marks)
- b) Explain **THREE (3)** types of unemployment with an example for each. (9 marks)

Item	Amount
Under age of 16	92.3 million people
Working age population	226.2 million people
Employment	137.7 million people
Labor Force	153 million people

Table 3

- c) Based on the information from Table 3, compute:
- i. Unemployment rate (4 marks)
 - ii. Labor force participation rate (4 marks)
 - iii. Total number of people not in labor force (4 marks)
 - iv. Overall population for the country (4 marks)

NOTE: Please write your answer in two (2) decimal points (if any).

[TOTAL 30 MARKS]

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QUESTION 3

Year	Quantity of Labor L	Quantity of Capital K	Total Output Y	Labor Productivity Y/L	Growth Rate of Output
2014	1,052	3,065	4,506	i.	-
2015	1,062	3,371	4,683	ii.	v.
2016	1,073	3,709	4,866	iii.	vi.
2017	1,084	4,079	5,055	iv.	vii.

Table 4

- a) Based on the information from Table 4, compute the labor productivity and growth rate of output. (7 marks)

NOTE: Please write your answer in two (2) decimal points (if any).

- b) List **THREE (3)** factors that affect labor productivity growth. (3 marks)

- c) Explain how do each of the following situation relate and affect the economic growth of a country. (10 marks)

- i. Individuals invest themselves by furthering study for higher education level.
- ii. Companies provides on-the-job training to all employees.
- iii. The country's corruption rate is getting higher as compared to previous years.
- iv. Government introduced vocational and technical training to unemployed graduates.
- v. An innovation of new machine was created in the country.

[TOTAL 20 MARKS]

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